



Tsukasa Igari
Director

Message from the director in charge of corporate strategy

Creating an equity story to further enhance our corporate value

Background and progress forming the plan

The current Medium-Term Management Plan marks a transition period for the group's future development

The current Medium-Term Management Plan was launched in April 2021, roughly one year after the start of the worldwide COVID-19 pandemic. Business conditions during the pandemic were extremely uncertain while the pandemic undermined any visibility for the future, and the Fiber Business and Industrial Machinery Business both were strongly impacted. Our core IT Infrastructure Distribution

Business faced serious supply chain disruptions, but diligently responded to growing demand from the spread of telework and upfront investment in the GIGA School Program. As a result, the group posted strong growth in both sales and profits in FY2020 with sales exceeding ¥1 trillion for the first time and profits reaching a record high.

Having previously completed measures designed to improve our financial position, the group's management foundation is now solid. Our main focus during the year was on establishing a new growth story for the IT Infrastructure Distribution Business when demand recoils from the surge during the pandemic, and on how to increase profitability in the Fiber Business and Industrial Machinery Business amid the severe business conditions during the

pandemic. Our response was for the current Medium-Term Management Plan to serve as "a turning point anticipating development into the future."

The plan's primary strategy involves the creation of next-generation growth drivers that will support the group's future development. The key will be to reconstruct our business model through selection and concentration of our business domains with a focus on the new trends in society. This is particularly important for the IT Infrastructure Distribution Business, and we plan to firm up our main strength in the distribution of IT equipment while continuing to expand the subscription business to further establishing our presence as a distributor of cloud-based products and services.

The second strategy is to use our status as a leader in our industry to grow our businesses by further increasing our contributions to addressing social issues. The third strategy is to transform our management base through measures including maximizing the value of the human capital that is the company's greatest asset and strengthening the effectiveness of corporate governance.

In the plan's first year of FY2021, sales and operating profit both fell short of our targets due to supply side impacts that included a shortage of semiconductors amid worldwide supply chain disruptions. During the supply uncertainty, we leveraged the strong relationships of trust that we have long cultivated with manufacturers to propose and secure alternative components. This enabled us to put our business back on a recovery track in the second half of the fiscal year and demonstrate our capabilities as a global multivendor of the complete range of IT products.

The plan's second year of FY2022 was characterized in the first half by delayed product shipments caused by the semiconductor shortage along with rising procurement prices due to sharp depreciation of the Japanese yen. The impact of these conditions eased in the second half, and we ultimately boosted full-year sales and operating profit by double-digit percentage points over the previous fiscal year. In the IT Infrastructure Distribution Business, we diligently captured corporate demand and secured high growth rates in our strategic priority area of subscription businesses, such as with our original management portal iKAZUCHI.

In the Medium-Term Management Plan's final year of FY2023, the business conditions are still not favorable, but we are consolidating the strengths of each business, which I believe is making us leaner and stronger overall. We recognize that our human capital is vital to our ongoing development, and the plan budgets for investment in education and training and to improve employment conditions and the work environment.

The Next Medium-Term Management Plan

Next Medium-Term Management Plan framework and focus areas

As we work to enhance our corporate value, I believe that it is important that we clearly demonstrate the value that the group provides and all the elements of our equity story, including our growth potential and sustainability.

The Next Medium-Term Management Plan beginning in FY2024 will be set as a period for a new leap forward for the group when we will vigorously implement concrete strategies designed to generate new growth. In preparing for this stage, our managers are discussing the best practices for maximizing corporate value and seeking input from our outside directors, external advisors, and institutional investors.

Prior to announcing the plan, we published the publication entitled *Priority Considerations and the Examination System for Formulating the Next Medium-Term Management Plan* in May 2023. The material disclosed the contents of Board of Directors meeting resolutions, and summarized items that had been examined, the priority considerations that were examined, and the system for conducting the examinations. Items examined included capital allocation for growth investment and for optimizing shareholder returns.

We disclosed these materials one year prior to releasing the new plan because we believe it is important to communicate the points we consider as priority issues at an early stage so shareholders and stakeholders will have ample time to become familiar with the issues we are seeking to address. Expanding our investor relations activities has been a management strategy in recent years. The management briefings and other occasions we provide as part of our efforts to actively communicate with shareholders and investors also provide opportunities for us to share the opinions and requests that we receive with our group companies and incorporate them into our management activities. Our objective is for the Next Medium-Term Management Plan to be another solid step forward for enhancing corporate value. I look forward to your continued understanding and support as we continue strengthening our equity story to further enhance our corporate value.

Medium-Term Management Plan

Medium-Term Management Plan

(FY2021–FY2023) As of the time of declaration in May 2021

Positioning of the Medium-Term Management Plan

A turning point anticipating ongoing development into the future

- A period in which we will challenge ourselves to realize business model reform aimed at sustainable growth
- Contributing to the resolution of social issues through business with an ESG perspective
- Maximization of the human resource value that will create the future

Basic group policy

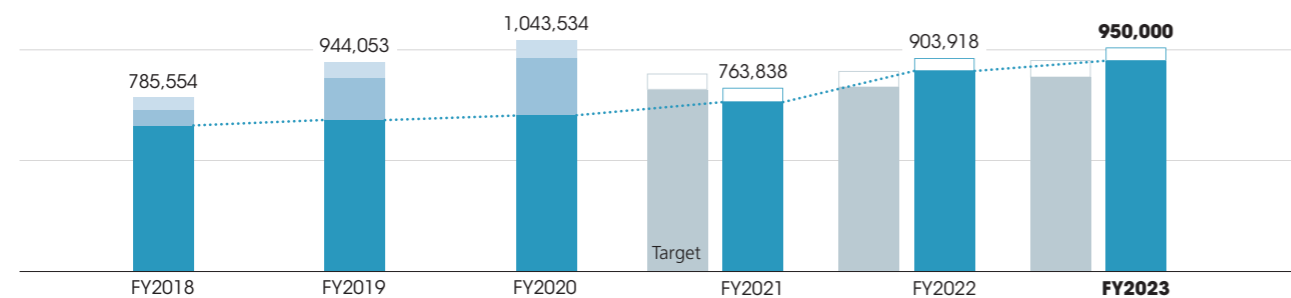
1. The creation of next generation growth drivers
2. Contributing to the creation of a new society as a leading company
3. Reform of management foundations

Progress of the Medium-Term Management Plan <revenue indicators>

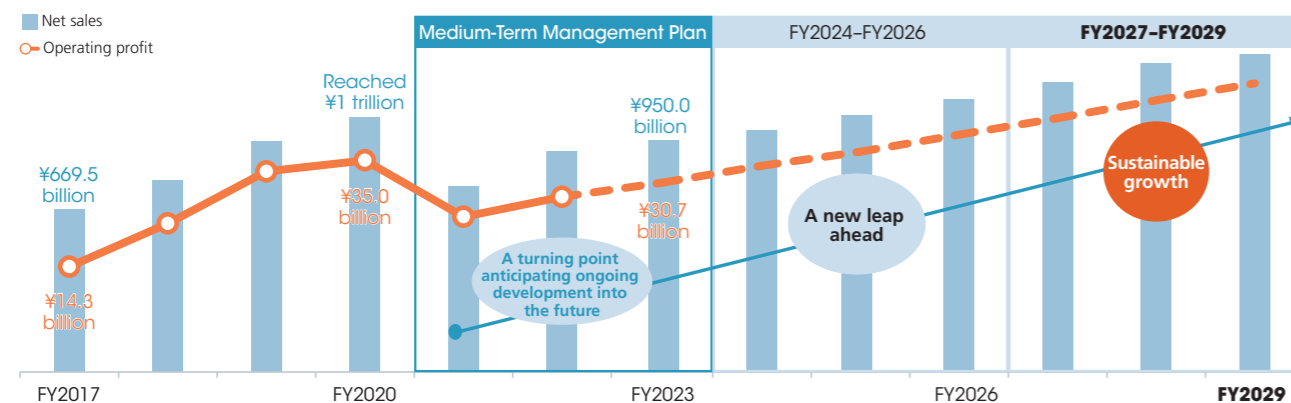
(millions of yen)	FY2021		FY2022		FY2023	
	(Target)	(Results)	(Target)	(Results)	(Target)	(Forecast)
Net sales	820,000	763,838	830,000	903,918	875,000	950,000
Operating profit	28,500	24,059	28,600	27,944	31,400	30,700
Operating profit margin	3.5%	3.1%	3.5%	3.1%	3.6%	3.2%

Anticipated trend in net sales

■ Approximate impact before revenue recognition *Approximate values based on actual results
 ■ Net sales deriving from concentrated terminal demand
 *Approximate values based on certain conditions (Windows updates, the GIGA School Program, teleworking demand, etc.)



Anticipated medium- to long-term growth (looking ahead to 2030)



Note: Fiscal years ended March 31

Next Medium-Term Management Plan (FY2024–FY2026)

Please refer to the following website for more details.



Before the scheduled release of the next Medium-Term Management Plan in May 2024, we have identified the important considerations and formed a dedicated working group. On May 15, 2023, we disclosed this information to our shareholders and stakeholders to seek their understanding regarding the issues we are currently aware of.

Important considerations for the next Medium-Term Management Plan

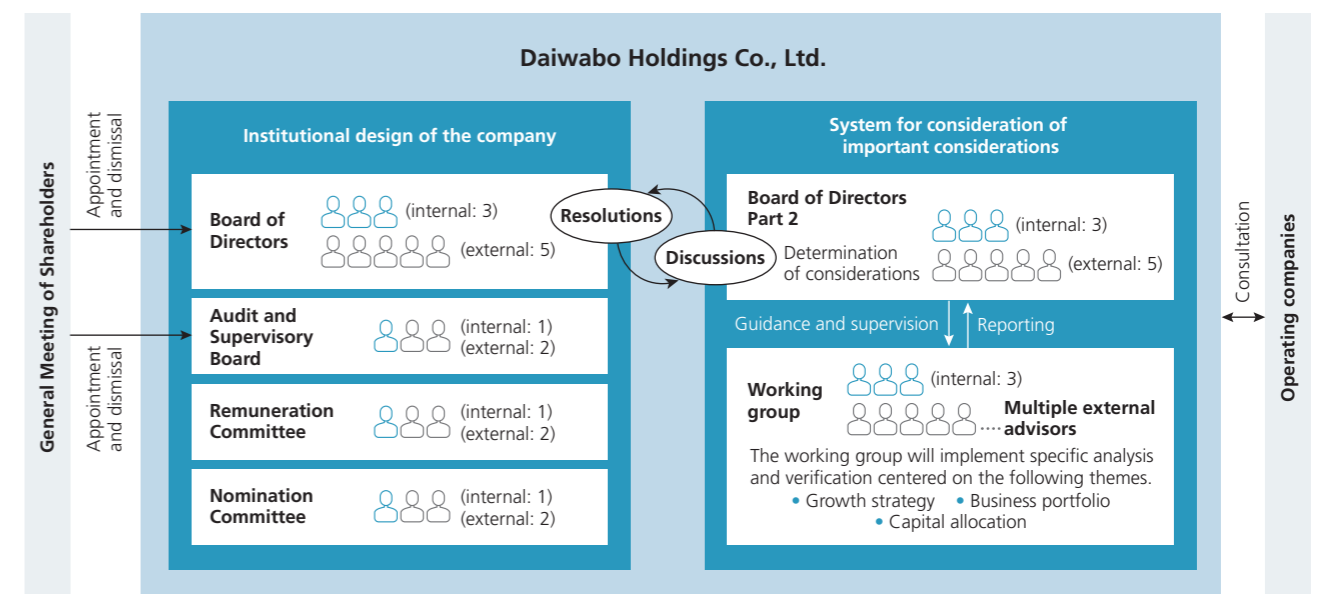
We will arrange the important considerations and the system for consideration ahead of the formulation of the next Medium-Term Management Plan scheduled to be announced in May 2024.

Considerations	Overview	Current status
Establishment of a company-wide purpose and formulation of a growth strategy	<ul style="list-style-type: none"> • We will identify the group's identity and establish a purpose based on social trends and the DNA of our corporate organization. • We will formulate a growth strategy from the perspective of what to make the core of the company and how to maximize profitability from that starting point and realize the social significance of the company. 	<ul style="list-style-type: none"> • We are planning to announce the company's purpose in the integrated report this fiscal year. • We are currently considering growth strategies while verifying which areas growth is expected in and whether there is added value. • Challenges include sustainable growth investment for the realization of the expansion of market share and customer value.
Establishment of the optimal business portfolio for the maximization of value of the group overall	<ul style="list-style-type: none"> • We will establish the optimal business portfolio by implementing strategic options at the appropriate time for the maximization of corporate value after verifying the best owner principle, evaluation of the business environment and capital profitability of existing business with reference to Practical Guidelines for Business Transformations formulated by the Ministry of Economy, Trade and Industry, etc. 	<ul style="list-style-type: none"> • We are currently considering making the Fiber Business independent from the group, as a strategic option for the maximization of corporate value. <p>Note: We have started specific discussions with Daiwabo and will consider options that would contribute to increasing the value of textile business by a method appropriate for shareholders, employees, business partners, etc.</p>
Realization of the optimization of growth investments and shareholder returns	<ul style="list-style-type: none"> • We will formulate a capital allocation policy that aims to increase corporate value by realizing optimal growth investments and shareholder returns based on capital costs. • Optimization of the allocation of resources - people, things, and money - and establishment of a capital policy that can maximize returns to shareholders. 	<ul style="list-style-type: none"> • With regard to the policy for the allocation of the revenue generated by each operating company, we are currently considering capital allocation aimed at the maximization of the profitability of the group overall, rather than prioritizing only growth investment for expansion of the results of each respective business.

The system for consideration of important considerations

We will determine the matters to be considered by the Board of Directors, including outside directors, analyze and verify these matters in a working group with the participation of internal directors and external advisors, and then hold discussions and pass resolutions as appropriate at meetings of the Board of Directors.

The results of this consideration are scheduled for disclosure in the next Medium-Term Management Plan to be announced in May 2024, and if there is any action to be taken before then, we will make disclosures as appropriate.



Value creation drivers



Mitsushige Yasuda
Director

Message from the director of business administration

Striking a balance between sustained growth investment and stable, long-term shareholder returns

Basic approach

A focus on capital efficiency metrics and balanced fund allocation

As the director responsible for our corporate finances, I recognize the importance of not only maintaining financial soundness but also enhancing our capital efficiency.

As such, I emphasize metrics such as ROE and ROIC as indicators of capital efficiency. Under our current Medium-Term Management Plan (FY2021 to FY2023), we have set goals to maintain an ROE of 14% and

above and an ROIC of 11–12% across the entire group. We have also established key performance indicators tailored to each of our businesses, which are used to monitor progress based on specific action plans. For FY2022, both ROE and ROIC improved compared to the previous year, with ROE increasing from 12.9% to 13.7% and ROIC from 10.4% to 11.6%. While we have achieved our target for ROIC, we will continue our efforts to enhance capital efficiency from a financial perspective.

We believe that continued investment in our IT Infrastructure Distribution Business, which generates approximately 90% of our cash flow, is essential to

strengthening the group's profitability. We plan to invest as appropriate in expanding the sales of our main products, such as computers and subscription services, while we work to achieve low-cost operations through IT investments for business efficiency, which will help to reduce the sales to administrative expense (SAE) ratio. Furthermore, we have a robust policy of engaging in M&A investments that contribute to business growth.

With respect to financial soundness, we currently have a positive net cash position, and I recognize that we have sufficient liquidity and are capable of responding to unforeseen circumstances. I believe that our current level of liquidity is adequate to meet the funding needs of strategic product procurement in our core IT Infrastructure Distribution Business. We intend to allocate funds while maintaining a balance between shareholder returns, including share buybacks, and growth investments in existing and new areas.

Capital and investment strategies

Accelerating investment in growth areas based on our cash allocation policy

The cash allocation policy of our current Medium-Term Management Plan is divided into two major strategic investment policies from a medium- to long-term perspective: investments for the sustainable growth of existing businesses and investments for growth in new areas.

Our investments in existing businesses will intensify across several domains that include facilities and R&D in addition to marketing and talent acquisition and development. As for investments in new areas, business alliances, and M&A will take center stage. For growth across the entire group, we are prioritizing effective investments in promising new areas where we can anticipate profit expansion, especially within our IT Infrastructure Distribution Business.

The company's policy is to rely on the cash flow generated by each business to fund growth investments. However, in the event that large-scale financing is required for M&A or other reasons, the company's policy is to obtain such financing through Daiwabo Holdings. For investment decisions, we first conduct meticulous simulations of the future cash flow the investment will generate, as well as make rigorous estimates of the payback period and the impact on profits at the respective business. These are then brought before the Daiwabo Holdings Board of Directors, who make a final decision. Based on this policy, in FY2022, we invested approximately 2.15 billion yen to enhance our IT Infrastructure Distribution

Business systems, consolidate production facilities for our Fiber Business, and fund R&D.

For FY2023, we plan to allocate approximately 4 billion yen in capital investment aimed at enhancing productivity and advancing IT investments within our existing businesses. Separately, in April 2023, Daiwabo Information System, one of our group companies, acquired Alphatec Solutions, a systems integrator with strengths in IT infrastructure development and operation, through a full buyout of the company's shares. This move aligns with our mid-term cash allocation policy of investment for growth in new areas, and we intend to accelerate investment in growth areas where we anticipate future earnings growth.

Shareholder returns

Enhancing corporate value through profit sharing

We regard the return of profits to our shareholders as a crucial management issue, positioned as a fundamental policy to sustainably and stably distribute dividends, taking into account our financial situation and earnings trends. Under the current Medium-Term Management Plan the company has set a policy to continue to allocate stable annual dividends of 60 yen per share, with an increase in dividends to be considered based on earnings. For FY2022, we increased the shareholder dividend by 2 yen to 62 yen per share, resulting in a payout ratio of 30.6%. For FY2023, we plan to increase the dividend from the previous fiscal year by an additional 2 yen for a total annual dividend of 64 yen per share.

As one effective measure to return profits to shareholders, we have executed share buybacks, repurchasing approximately 2 billion yen of our shares in FY2021 and 3 billion yen in FY2022. As a result, the total payout ratio for FY2022, was 46.2%. We intend to continue considering the option of share buybacks subject to the market environment.

As we move forward, we will strive to boost our corporate value, enhancing adequate shareholder returns and engaging in dialogue with shareholders and investors for a deeper understanding of the business. We appreciate your continued support.

Value creation drivers

Financial capital strategy

Policy on financial strategy

The Daiwabo Group's fundamental policy prioritizes securing the liquidity and stable funding necessary for business operations. Short-term working capital is allocated from cash reserves or obtained through short-term loans payable from financial institutions. Capital investment and long-term working capital, on the other hand, are financed through long-term loans payable from financial institutions.

Additionally, the group employs a cash pooling system to centrally manage capital surplus from its group companies.

Financial KPIs in the Medium-Term Management Plan

The group incorporates financial key performance indicators (KPIs) to evaluate the progress of management goals subjectively while striving to maximize shareholders' equity and profitability. Within the current plan, the group aims to maintain a return on equity (ROE) above 14% and a return on invested capital (ROIC) within the range of 11% to 12% over a three-year period. By prioritizing capital efficiency, we will consistently enhance corporate value.

Dividend policy

Daiwabo Holdings has positioned dividends as an important issue in management. The company has a basic policy of returning profits continuously and stably in consideration of its financial situation and earnings trend, as well as distributing dividends from capital surplus twice a year, in the form of interim and year-end dividends.

Furthermore, we believe the acquisition of treasury stock to be one of the measures for returning profits to shareholders, so that we will consider the flexible implementation of such measures in accordance with the market environment.

Use of ROIC in business valuation

We place the utmost importance on the process itself when striving to achieve the target ROIC since it is crucial not to lose balance as we pursue the goal. We set KPIs for each business operating company and monitor the progress of improvements based on the concrete action plans as shown in the following ROIC tree. By having each business operating company keeping hurdle rates in mind, we will be able to create corporate value as a group.

Group management indicators

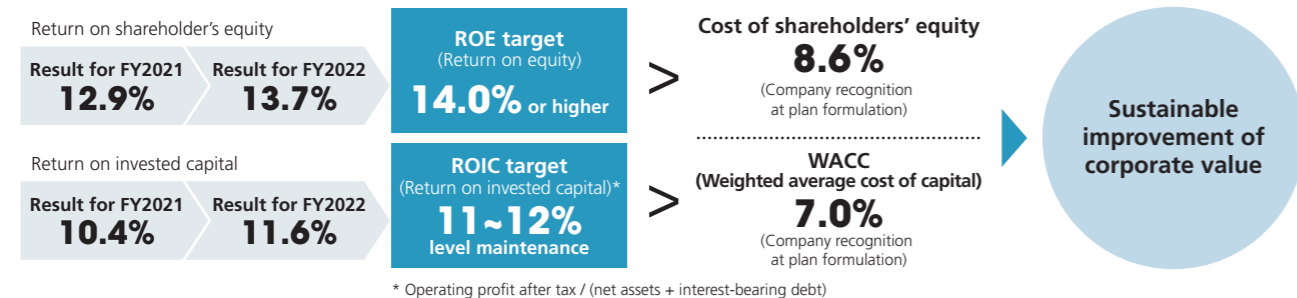
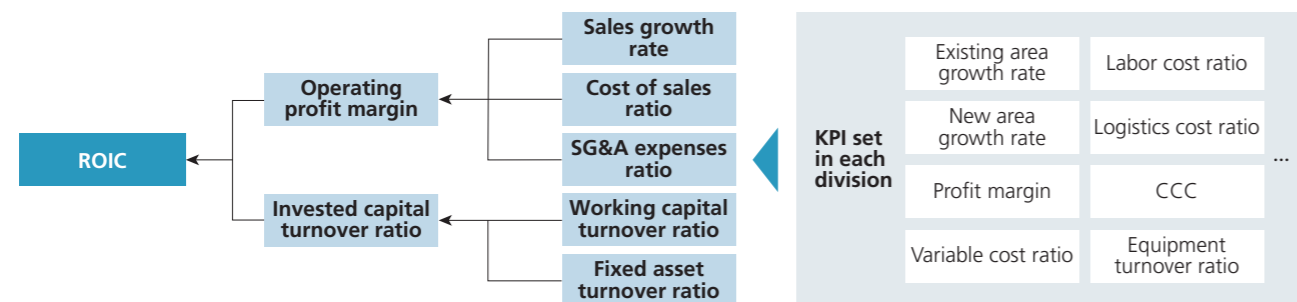


Image of use of ROIC tree



Medium-Term Management Plan—Cash allocation policy

Our Medium-Term Management Plan includes a cash allocation policy aligned with our financial strategy, implemented with clear objectives in mind.

Basic policy

- We will aim to enhance shareholder returns appropriately.
- We will make growth investments in new areas while continuing to invest towards the sustainable growth of existing business.
- We will prepare for strategic product procurement and unforeseen circumstances while securing a certain level of liquidity on hand.

Cash allocations

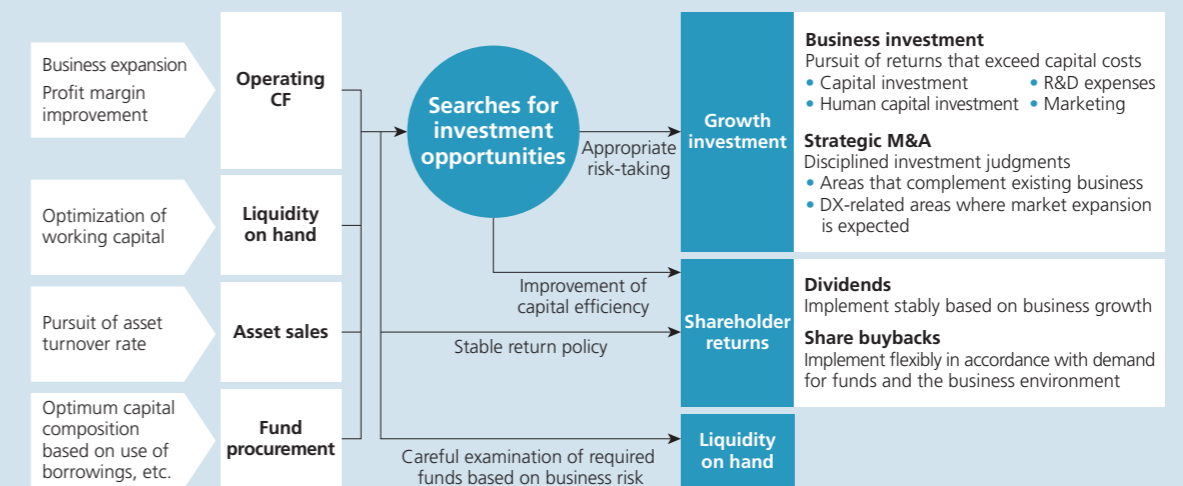
Dividends	Growth investment in existing areas	Growth investment in new areas	Acquisition of treasury stock	Securing of liquidity on hand
We will make a stable dividend of 60 yen per share (including interim dividends) our basic policy and also consider dividend increases matched to our cash situation.	We will invest in equipment towards the sustainable growth of existing business and implement marketing, R&D and the hiring of human resources.	We will start to consider business partnerships and M&A to nurture new business pillars, centered on DX-related areas where market growth is expected.	We will consider the flexible acquisition of treasury stock in accordance with the market environment.	Securing of liquidity on hand in readiness for fund demand in association with strategic product procurement in IT Infrastructure Distribution Business and unforeseen circumstances.

Capital allocation scenario for the next Medium-Term Management Plan (FY2024–FY2026)

The proposed capital allocation for our next Medium-Term Management Plan is shown below. We will establish a clear directionality for our capital allocation strategies, aiming to achieve a balanced spending on growth investments and shareholder returns.

We will aim for the improvement of corporate value by formulating and implementing appropriate investment evaluation standards to realize the optimal growth investments and shareholder returns.

Image of capital allocation



Value creation drivers

Strategies on intellectual capital and production assets

Intellectual capital

As part of our growth investments in existing fields, the Daiwabo Group is dedicated to R&D and development of the platform. We are working on this in line with the characteristics of the IT Infrastructure Distribution Business, Fiber Business, and Industry Machinery Business, respectively.

IT Infrastructure Distribution Business

The "creation of next-generation growth drivers" is a core principle of our current Medium-Term Management Plan. We are expanding our business by actively embracing digital technology, aiming to achieve digital transformation (DX) and establish ourselves as a leading cloud distributor.

In the IT Infrastructure Distribution Business, strong partnerships with various manufacturers and IT vendors allow us to provide advanced and global cloud services that fulfill the diverse needs of users, contributing to them to achieve DX. Simultaneously, we strive to improve the efficiency and safety of social infrastructure and public services, reduce environmental impact, and promote social inclusion, all aiming to build a sustainable society.

Our efforts to assist companies, especially small and medium size enterprises (SMEs), in achieving DX include various managed services to support IT operations and management designed to resolve workforce shortages and improve the productivity on the dealer and user side, as well as education services for the training of DX-ready professionals to promote the nationwide digital transformation.

Our cloud services provide a diverse range of solutions and support, including hybrid cloud solutions

with on-premises integration, as cloud computing continues to be utilized in increasingly versatile scenarios. We encourage the optimal cloud usage tailored to the users' environments while promoting the development of new business models in combination with our dealers' core businesses. Through these efforts, we provide opportunities for value creation in business and service design for our dealers and users.

Fiber Business

In the Fiber Business, we have set a policy of "realizing a sustainable society by developing original materials based on ESG management and research themes that will lead to achieving the SDGs," and work to develop technologies that support people's health and safety.

We are committed to selling products made from eco-friendly and biodegradable materials, as well as developing materials and products that contribute to environmental conservation by saving energy and incorporating water and air purification processes. We conduct joint development in collaboration with industry, government, and academia. We participate in the Green Innovation Fund Project* of the New Energy and Industrial Technology Development Organization (NEDO), aiming to promote the next-generation fiber through the development of concrete materials with carbon dioxide absorption and fixation properties.

* The program launched by NEDO, with the objective of achieving net zero GHG emissions by 2050, provides 10-year-long continuous support for companies involved in activities to accomplish these goals in priority areas including R&D, validation and implementation in society.

DX and measures of IT Infrastructure Distribution Business

Transformation and new creation	<ul style="list-style-type: none"> Adoption and promotion of IT in elementary schools, junior high, and high schools, such as making PC classes into STEAM Lab Rollout of DX Academy Service to encourage DX of corporations nationwide Enhanced support structure through closer coordination with DIS Group companies to meet diversifying customer needs
Deepening of the existing businesses	<ul style="list-style-type: none"> Continuous efforts to realize the GIGA School Program and support elementary schools, junior high, and high schools to achieve DX Support activities to promote the DX in learning, led by an expert team dedicated to the education market Support for SMEs to achieve DX through managed services and education services

Industrial Machinery Business

In machinery and software development, we ensure that our customers' needs for existing products are fulfilled and necessary safety measures are implemented.

In recent years, we have been putting more focus on responding to the needs from the aerospace and wind power generation industries: for example, an automatic tool changer compatible with high-pressure and high-capacity coolant, aiming to provide the aerospace industry with enhanced cutting performance for difficult-to-cut materials; structural changes to large-sized lathes for the wind power generation industry to improve transportation efficiency; a chip detection system using AI technology; and a carton refilling device responding to labor-saving needs.

In this way, we will continue to make technological developments and improvements to accurately grasp market needs.

Management of intellectual properties

Fiber Business / Industrial Machinery Business

In the following aspects of our work related to intellectual property (IP), we regularly organize briefing sessions with relevant departments to ensure that we stay informed about the progress of their activities.

- Result-oriented action plan from early phase
- Confidentiality management of proprietary technologies
- Preservation of evidence
- Mitigation of infringement risks related to intellectual property rights
- Patent clearance search
- Other companies' patent search

Investment in production facilities

IT Infrastructure Distribution Business

No production facility is needed for their business, but we invest in activities such as upgrading the internal systems and infrastructure, and optimization of logistics functions, especially at the east and west large distribution centers.

Fiber Business

We categorize our investments into the following four groups to allocate necessary funds effectively:

- Investments in environment and safety
- Renewal and taking of preventive measures against deterioration of facilities
- Expansion of facilities, improvement of productivity and cost handling
- Product development and quality improvement

Main facility investments in FY2022 include:

- Renewal of synthetic fiber stretching equipment
- Renewal of line inspection equipment
- Indoor air conditioning system

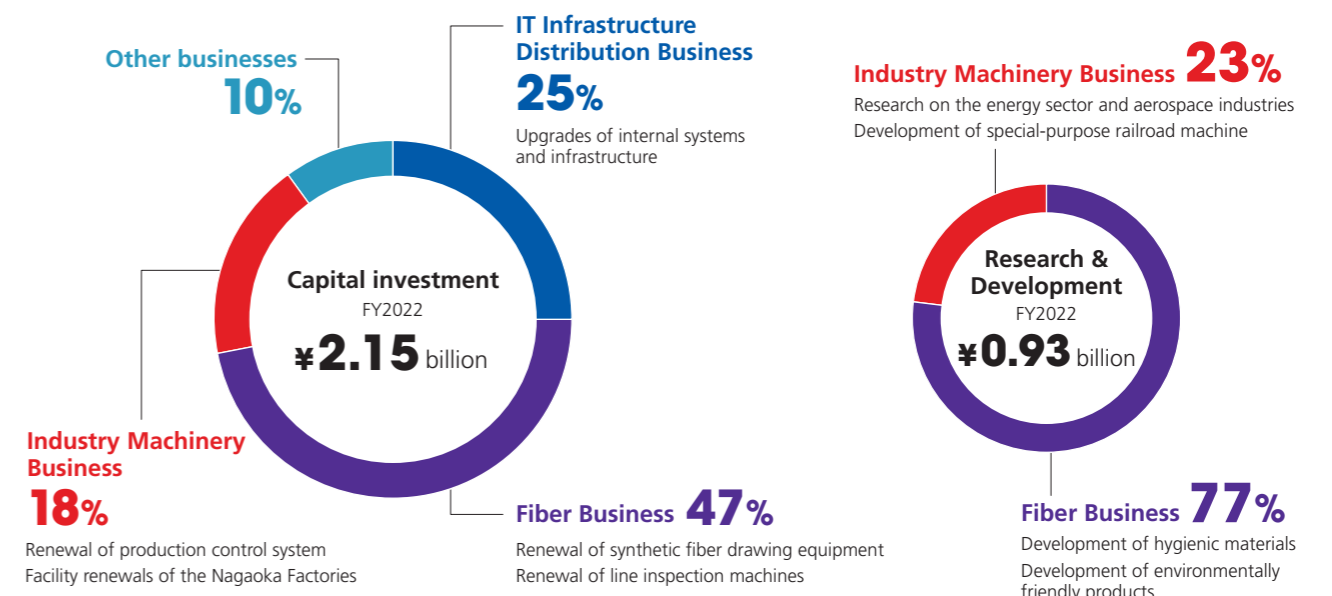
We will strategically allocate management resources to growth areas, leading to the sustainable enhancement of corporate value.

Industrial Machinery Business

We plan investments aimed at replacing aging equipment, expanding sales, and improving operational efficiency.

In FY2022, we renewed the production control system and the facilities at the Nagaoka Factory.

Capital investment and R&D



Value creation strategy

Human capital strategy

Optimization of personnel portfolio

Basic approach on human capital

Recognizing that human capital is our growth driver and the most valuable asset, the Daiwabo Group considers it essential to acquire and develop talent from diverse backgrounds, with various abilities, knowledge, and experience, to ensure the sustainable growth of the group. Under the Medium-Term Management Plan, with “maximization of the human resource value that will create the future” being defined as a goal, we are committed to building “corporate culture reform that supports human resource development and growth.”

We strategically invest in personnel recruitment, education, and training while working to create a collaborative environment and optimize personnel placement as an organization. In addition, we are striving to improve the working environment and conditions as well as the HR system in order to enhance employee job satisfaction and retention rate. As part of our commitment to developing human capital, we provide employee training, qualification support, and encourage education for career development.

Recruitment policy and strategies

To ensure our sustainable growth and development, we recognize the importance of strategic personnel planning aligned with the management strategies of each business unit. In the IT Infrastructure Distribution Business, the formation of a rich sales workforce that supports the branch network connected with a large number of partners is the strength of the group. In order to diversify customer touchpoints in the future, we believe it will be important to develop human resources with diverse abilities and knowledge, such as those capable of demonstrating technological capabilities including the promotion of digital transformation (DX), and to have their active participation. We are working on recruitment strategies that will enable us to expand our business with new strengths.

In our Fiber Business and Industrial Machinery Business, driven by our proprietary technologies, we have strategically cultivated a well-balanced workforce with technical capabilities in R&D and production, as well as those with marketing skills. To foster career development and skill acquisition, we offer one-on-one coaching through our mentor system, so as to enhance our proprietary technologies continuously.

We also started exploring more flexible hiring and recruitment processes. Traditionally, we used to rely on mass recruitment of new graduates. However, due to the declining birthrate, we have expanded our focus toward mid-career recruitment and local hiring. This approach allows us to align our personnel needs with our business needs and enables us to secure talent with diverse backgrounds. Furthermore, we pursue versatile recruitment strategies such as rehiring retired employees.

Regarding the recruitment of new graduates, each of our subsidiaries has their own hiring process, in addition to a group-wide recruitment conducted by the Daiwabo Holdings.

Higher engagement of employees

Encouraging communication and creating a better workplace

Higher employee engagement is crucial for the group’s sustainable growth. We firmly believe that the well-being of employees is closely tied to the company’s success. Effective communication and trust-building play a vital role as we work toward a shared goal in the same direction. We also believe that employees who contributed to the company’s success should be rewarded appropriately.

It is important for us to improve the work environment and adopt necessary measures that lead to higher motivation of employees in a visible form.

Encouraging personnel development

Employee education, training, and career development

As part of our talent development efforts, we encourage employees to participate in training programs, take advantage of qualification support and career development courses. We offer company-wide training programs for employees to feel motivated and gain the knowledge and skill needed, as well as training programs for each business unit, with courses designed for respective career levels, job types, and departments.

Skilled IT professionals are especially essential for us to achieve DX and combat cyberattacks. Thus we offer training and reskilling programs for IT professionals through an outside organization.

Daiwabo Holdings prepared an education program aimed at equipping the group employees of the publicly listed company with the specialized skills and knowledge related to diversity and human capital development. The courses under this program became available in FY2023.

In addition, we foster employee motivation by implementing goal management programs to support their professional growth and success.

Reskilling programs

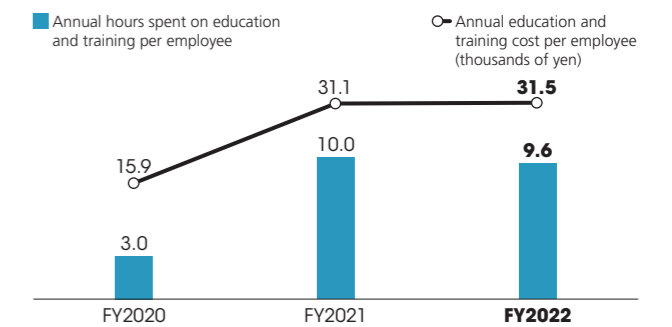
Each of our business unit values employees’ personal development throughout their career path, encouraging their voluntary learning of diverse subjects from the basics. These efforts contribute to optimal personnel placement and skill enhancement for our employees.

As part of our education program, Daiwabo Holdings now offers reskilling courses consisting of online-based elective training, allowing participants to choose a program suited to their career path, so that they can leverage their strengths and overcome weaknesses. In FY2023, the program covers a diverse range of DX-related topics.

Successor and leadership development

We are preparing to launch an executive development program designed for candidates who are expected to

Annual training hours and costs per person

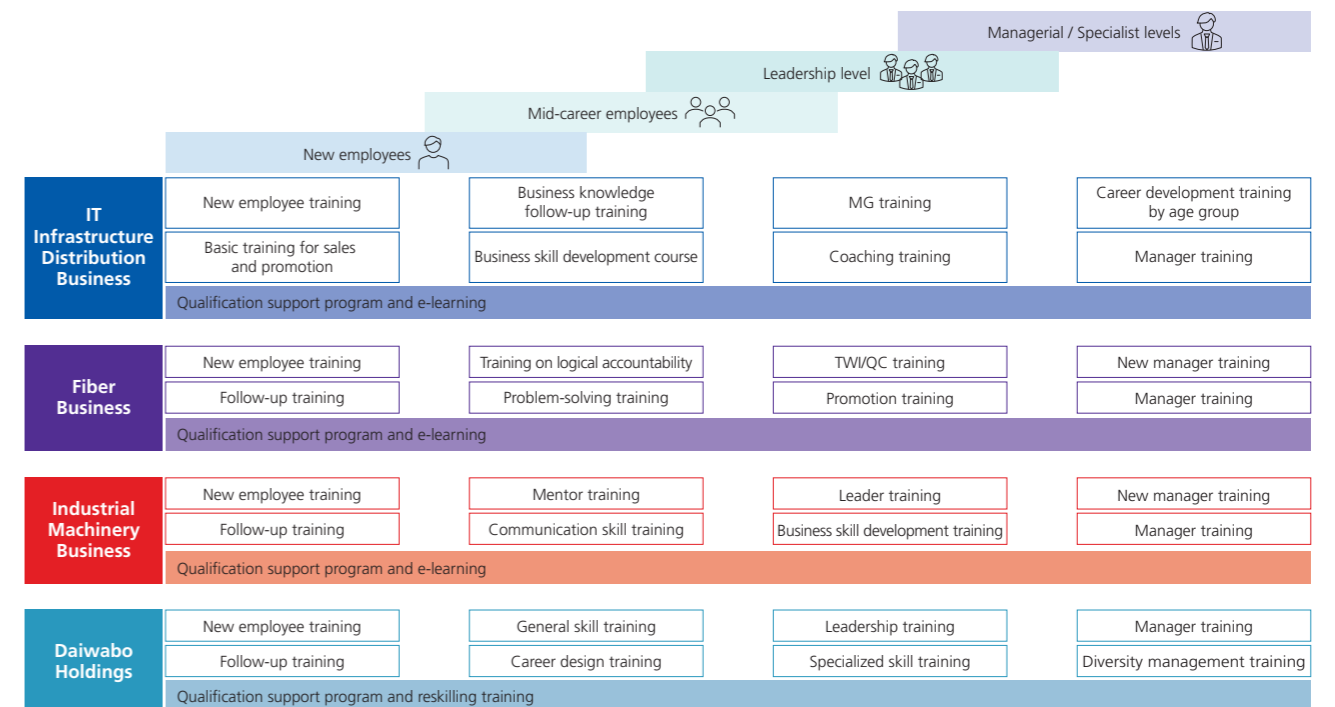


Notes:
 1. The HR-hosted skill development courses, consolidated basis in Japan
 2. Fiscal years ended March 31

become future executives of the group. The program includes sessions to learn about top management roles, including business strategy formation. By fostering candidates with a perspective of top management in the early phase of their careers, we aim to mitigate the risk of a successor shortage while ensuring the sustainable growth of the company. For individuals who will be promoted to a leadership position, we provide training courses on the basics of organizational management, helping them understand their expected roles, duties, and responsibilities. Employees being promoted to senior managerial positions will receive training on organizational management and the PDCA cycle, enabling them to oversee the entire organization effectively.

Overview of education and training program (partial)

Training program provided for each business unit, with courses designed for respective career levels and job types



Value creation strategy

Promoting diversity & inclusion

Maintaining and promoting diversity of personnel

The Daiwabo Group firmly believes that diverse talent is indispensable for our sustainable growth. In line with this belief, our personnel management is dedicated to creating an environment where diverse individuals can thrive. We achieve this by providing career development and skill-building programs based on the Group Corporate Code of Conduct. We prioritize the health and safety of our employees while valuing diversity and accommodating the unique needs of each individual in our workplace. The group respects and accepts diversity within and outside the workplace, aiming to become an organization that builds a truly valuable future together with society.

Encouraging women's participation

With two women appointed as outside directors, the group's achievement has continued to be recognized in the MSCI Japan Empowering Women Index (WIN) as of June 2023.

Gender composition in the top management of Daiwabo Holdings

Directors (2 female and 6 male executives)



Auditors (1 female and 2 male executives)



However, our top management personnel portfolio, which has supported business expansion, is predominantly male. To build a well-diversified organization in line with our future business strategies, we recognize the need for a medium- to long-term approach. We created a road map to systematically facilitate the participation of women, and the group set a target of raising the proportion of female managers to 3% or higher by FY2030.

We have already adopted a policy of hiring and promoting employees regardless of gender, and will continue to encourage the participation and improve the retention rate of women. We anticipate, however, that it will take roughly 15 years to see a significant improvement in the percentage of women in managerial positions since most of the female employees in the group are relatively young.

Besides promoting internal recruitment of female managers, we are also reforming our corporate culture and implementing a step-by-step process of building

an environment that will encourage female employees to focus on career development and advancement, as well as actively recruiting female talent from outside the company. Positioning our targets for 2030 as only a milestone on the way to further progress in this area, from a longer-term perspective, we will be undertaking further discussion aimed at realizing steady, continued growth in the share of managers who are women, and will be implementing further measures to promote women's participation.

Our practices to encourage woman's participation

- Shortened work schedule for parenting is provided longer than the legal requirement
- Diversity management training provided
- Target ratio of women in new hires

Hiring persons with disabilities

Some of our business units are experiencing lower rate of employment of persons with disability due to resignations and other reasons, while companies with large number of employees maintain an employment ratio above the legal requirements. We plan to collaborate with public institutions such as Hello Work, an employment service center operated by Japanese government, and actively hire individuals with disabilities.

Elderly employment

We are exploring the optimal allocation of the retiring workforce and their job duties by extending the employment period beyond the current retirement age of 60, in addition to reemploying those who have reached retirement age.

Especially, we are seeking the optimal assignment of retiring-age employees on a group-wide level, with an emphasis on transferring their technical knowledge and expertise to ensure a smooth succession process. As the retirement age is expected to increase in the future, we need to reevaluate the current system to ensure workforce stability, particularly regarding job assignments after employees retire from their current positions at a certain age.

Building an environment enabling a flexible workstyle

Supportive work environment (workstyle reform)

As part of our group-wide efforts, we are continuously enhancing our working environment. Guided by the Group Corporate Code of Conduct, we place great value on diversity and strive to accommodate the

unique needs of individuals, while prioritizing their health and safety.

To reduce prolonged working hours, we introduced no overtime days and started monitoring attendance records. We also encourage employees to take their eligible leaves by setting the KPIs for the utilization of statutory paid leaves and offering special paid holidays, such as refreshment leaves, congratulatory or bereavement leaves.

We will make necessary improvements to our parenting leave benefits, ensuring accessibility for all employees in need. By promoting a better work-life balance, we aim to support long-term career development and create a conducive work environment for our employees.

Our employees are adept at efficient time management by using web conferencing as needed, both within and outside the company, and some of our business units offer remote work options.

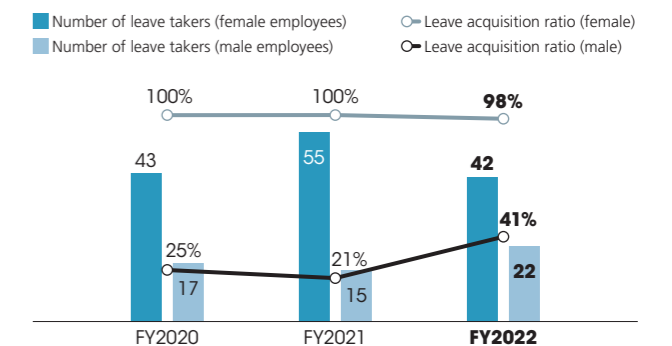
Our company has a corporate culture that emphasizes adherence to statutory working hours and encourages employees to take their eligible annual paid leave. By utilizing IT in our operations, we will improve the efficiency and promote flexible and balanced work styles.

Enhancement of well-being

Employees' well-being (health management and promotion)

The Daiwabo Group prioritizes health management and encourages employees to undergo regular health

Utilization rate of childcare leave and other benefits



Notes:

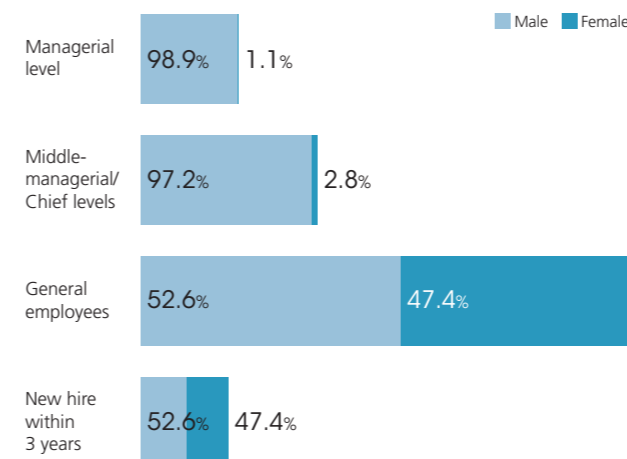
1. Consolidated basis in Japan, including parenting leaves
2. Fiscal years ended March 31

check-ups and stress assessments, and has occupational health physicians on standby as an effort to promote employee's wellness.

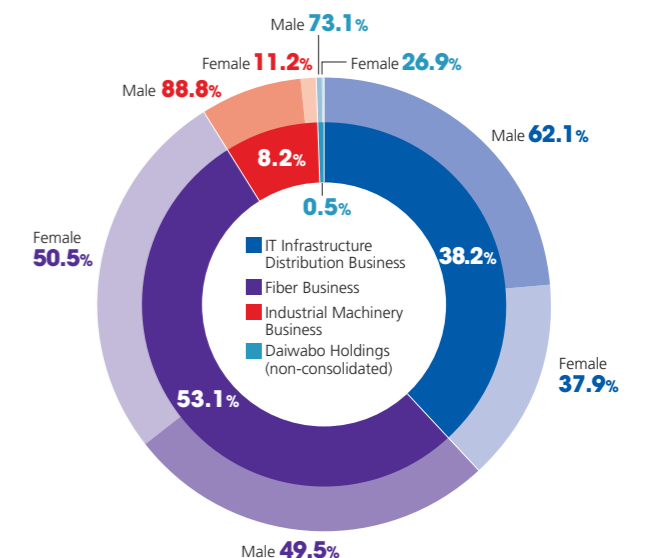
Furthermore, we identified their well-being as one of our materiality issues and established a policy to enrich the happiness and job satisfaction of our employees. This includes health management practices, such as mental health assessments and counseling sessions conducted by our occupational health physicians.

With the goal of attaining a 100% participation rate in health check-ups, we offer comprehensive health examinations as optional benefits across the group companies. These efforts are dedicated to promoting the well-being of our most valuable asset—our personnel.

Gender makeup by position (in Japan, consolidated)



Gender makeup by business unit (the entire group including overseas)



Value creation strategy

Social capital strategy

Contributing to the development of society through our business

Promotion of ICT utilization in education and learning (environment improvement, STEAM education, training for teachers)

Daiwabo Holdings supports the development and utilization of information and communication technology (ICT) to provide children with a high-quality educational environment that leads them to the future. Although the introduction of one device for each student in elementary, junior high, and high schools nationwide has progressed, there are still issues to be addressed in their utilization, such as the development of an infrastructure (telecommunications) environment, enhancement of educational content, and improving the ICT utilization skills of teachers during learning.

In the IT Infrastructure Distribution Business, Daiwabo Information System (DIS) has had a dedicated department for the education market for about 10 years, and has contributed to the development of the education environment through a community-based structure in cooperation with its sales offices throughout Japan. Currently, it is focusing on the use of installed devices in classes, the promotion of introducing STEAM education environments, and support activities.

STEAM education is an educational concept that combines the initial letters of five words: science, technology, engineering, the arts, and mathematics. It is interdisciplinary education that combines exploration and creativity and utilizes learning in each subject to solve problems in the real world that has become the foundation for cultivating the human resources needed in the Society 5.0 era. DIS, together with Intel, has been engaged in empirical research at 18 elementary, junior high, and high schools and universities to promote the spread of STEAM Labs.

We had also co-sponsored the Nikkei STEAM 2023 Symposium, hosted by the Osaka head office of Nikkei Inc. There we had exhibited a hands-on corner where visitors could directly experience advanced technology by leveraging strengths as distributors, and holding a workshop that had high school and university students pretend to join DIS and propose ICT solutions that would be used in future education.

In addition, DIS provides training for teachers to realize problem-solving-based learning (PBL) and assists them in designing next-generation education tailored

to the educational environment using customized menus regardless of the size of municipalities or schools nationwide. In the future, DIS will also provide educational support in collaboration with university teaching programs to help solve social issues for the development of future human resources.



Advanced technology experience at STEAM Lab

By spreading cloud services throughout Japan, we have strengthened the proposal capabilities of dealers to respond to customer needs such as productivity improvement and BCP measures

In recent years, research companies have announced that the Japanese cloud market has been growing steadily, but dealers around the country are constantly consulting on proposal techniques. Demand for digital transformation (DX) is accelerating, such as improving customer productivity and BCP measures for business continuity. In order to respond to increasingly diverse and sophisticated customer needs, dealers need to flexibly incorporate cloud services into conventional IT infrastructures, and provide proposal capabilities, implementation, and operational support to realize the users' DX.

Accordingly, DIS has formed strong partnerships with manufacturers and IT vendors to quickly catch up on global advanced technologies and information, and provide new businesses and services. We support the promotion of DX throughout Japan by developing managed services to support IT operation, as well as management and educational services to develop DX human resources.

Contributing to industries that support society, starting with renewable energy

Renewable energy sources include mainly solar, hydro, and wind power, but there are growing expectations for wind power due to the balance between the length of operating time and the size of the production volume. Among these, offshore wind power generation is becoming the focus in Japan, which has a small land area, because it is easier to generate high-capacity electricity by continuously capturing stronger wind than on land.

High precision is required for the manufacture of bearings used in the turning of the main body of wind power generation equipment and the rotor blades, step-up gears, and such, and medium- and large-sized vertical lathes are necessary. The medium- and large-sized vertical lathes manufactured by O-M Ltd. have the accuracy and performance to meet the requirements for each part, and demand is growing as the number of wind power generation facilities increases.

For growth in the wind power generation market, we are promoting proposal-based marketing that improves the efficiency of processing and the effectiveness of installation, rather than just selling off-the-shelf products. In addition, we will strengthen our sales promotion in the Chinese market by acquiring opportunities for business negotiations and establishing a system to provide products with short delivery times. In addition to growth as a business, we will also contribute to solving users' ESG issues, such as power saving by shortening processing time, improvement of factory environments and consideration for operators' health through totally enclosed machine covers, and so on.

Contribution to national resilience

In recent years, various natural disasters have occurred in Japan. The Daiwabo Group is also striving to help building a safe and secure society by proposing disaster countermeasure products, including the sale of large weatherproof sandbags that can be applied to temporary materials for recovery from natural disasters.



Large high-performance sandbags by Kanbo Pras Co., Ltd. to prevent riverbank collapse

Promoting the development of sustainable materials based on three keywords: the environment, safety, and health

Market needs are diversifying due to changing lifestyles and growing interest in ESG and the SDGs. In the Daiwabo Fiber Business, we are promoting the development of products that meet new needs with materials and high-function processing technologies, taking advantage of our integrated production system from fiber materials to finished products.

In terms of materials, we use functional materials that are gentle to the skin, such as organic cotton grown without the use of chemical fertilizers, and rayon that is biodegradable in the ocean. Using these materials, we offer clothing and bedding products that have been given functionality through our unique processing technology. In terms of processing technology, we have proprietary functionalization technologies such as deodorant, antibacterial, and antiviral.

In the Daiwabo Fiber Business, we focus on the research and development of technologies that bring out the best in materials in order to achieve the performance demanded by its customers and contribute to the realization of a sustainable society.

Value creation strategy

Promotion of supply chain management

Establishment of CSR Procurement Guidelines

The Daiwabo Group established the Daiwabo Group CSR Procurement Guidelines in June 2023 in order to understand supply chain issues related to our business activities and to ensure a stable supply of sustainable products and raw materials.

In compiling these guidelines, we referred to the ten principles recommended by the United Nations Global Compact (UNGC) in the four areas of human rights, labour, environment, and anti-corruption, and considered the appropriate content for our business.

Among them, supply chain management on “business and human rights” aims to reduce various human rights risks related to the group by preventing complicity or promotion (including indirect involvement) of human rights violations through business relationships.

Number of managed supply chain companies

The Daiwabo Group selected approximately 100 suppliers with top annual purchase amounts or above a certain percentage of purchases, according to the business characteristics of the IT Infrastructure Distribution Business, Fiber Business, and Industrial Machinery Business, as suppliers for initial management and requested the completion of a supply chain survey.

Supply chain survey

The Daiwabo Group conducted its first survey using the CSR Procurement Self-Assessment Questionnaire (SAQ) of Global Compact Network Japan (GCNJ), which is consistent with international standards and uses a uniform format that is highly versatile for industries and businesses, as a means of identifying CSR procurement risks to suppliers.

Respect for human rights in business activities

Basic stance on human rights

The Daiwabo Group respects human rights as a basic principle of our business activities, and strives to be a fair company that is trusted by society, based on our awareness that “all human beings are born free and equal in dignity and rights” and “they are endowed with reason and conscience and should act towards one another in a spirit of brotherhood,” as set forth in Article 1 of the Universal Declaration of Human Rights.

The Daiwabo Group respects the human rights of all stakeholders throughout the entire value chain of our businesses. Furthermore, if there are any violations

of human rights, we will address these issues promptly and appropriately.

The Daiwabo Group also respects the diversity of individuals and respects all basic human rights. Based on the laws and regulations of each country, we will not support any violations of human rights nor engage in any discrimination, based on characteristics such as gender, age, nationality, race, physical characteristics, beliefs, religion, or values.

In addition, the Daiwabo Group provides a workplace environment that respects the human rights of each and every employee and worker in our supply chain. We will provide a healthy and safe working environment free from physical and mental harassment, and respect the protection of the rights of young workers, the securing of minimum wages, the appropriate management of working hours, the right to collective bargaining, and the protection of privacy.

If it becomes clear that the Daiwabo Group has caused, facilitated, or been directly linked to any negative impact on human rights, we will engage in dialogue with the affected parties concerned and work to aid them in order to remedy the situation through appropriate procedures.

Employee training on human rights and protection of human rights

In order to promote business activities that respect human rights, the Daiwabo Group conducts compliance education and confirmation tests for all employees every year, including on human rights issues. The rate of compliance education attendance rate is steady at almost 100%.

In addition, we have established an internal whistleblowing and consultation desk for the purpose of protecting the human rights of employees, and are promoting the ease of whistleblowing by establishing a swift response system for whistleblowing and external touchpoints. We are also implementing training and regular interviews as measures to prevent harassment.

Compliance with laws and regulations on labor practices

The Daiwabo Group develops and operates employment rules based on Labor Standards Act, pays fair wages, and sets appropriate working hours. When paying wages, we show each employee a pay stub, present details of deductions, and present premium wages for overtime and holiday work.

We avoid unintentional involvement in child labor by thoroughly verifying the age of employees at the time of employment in writing, including at our overseas bases. In addition, labor contracts are concluded in the language used locally to properly protect the rights of employees.

In Japan, managers and supervisors in the workplace and the human resources department monitor the status of long working hours and the use of annual paid leave, and promote compliance with working hours stipulated in 36 agreements and the reliable use of statutory paid leave.

Relationship with labor unions (labor-management dialogue, etc.)

The Daiwabo Group builds healthy relationships of trust by engaging in dialogue with labor unions and employee representatives, and considers the rights of all employees.

The Fiber Business and Industrial Machinery Business have labor unions and have adopted a system of labor-management negotiations between the labor unions and the company to explain management and production conditions. We have been conducting labor-management negotiations in a healthy relationship for many years.

In the IT Infrastructure Distribution Business and Daiwabo Holdings, although there are no labor unions, important changes in work rules such as working conditions are explained to and implemented with the consent of all employees. In reviewing personnel systems, employee representatives are elected at each office as necessary, and revisions are made through a legal labor-management consultation process. We are also working through labor-management consultations to revise wage levels in light of rising prices.

Promotion of occupational safety and health, and improvement of working environment

In production facilities, we recognize that safety is the most important issue.

In the Fiber and Industrial Machinery Businesses, risk management such as safety inspections, facility improvement, and work environment improvement is routinely conducted, and we discuss and confirm necessary improvements at Factory Safety and Health Committee meetings. We also provide safety education for employees, and as a result, work-related accidents have been on the decline in recent years (for details, please refer to “Improvement of Working Environment” in the ESG Data).

Furthermore, safety and health are important issues not only in production facilities, and we are working on occupational safety at large eastern and western mega-centers in the IT Infrastructure Distribution Business.



Fire-fighting drill at Kanto Central Center, a DIS Group mega-center, as part of occupational safety and disaster prevention activities

Ensuring product safety and quality

Initiatives at each business company

The group recognizes that product safety is the minimum quality requirement for users, and we are committed to ensuring product safety and quality assurance.

In the Fiber Business, we provide safety information to customers through safety data sheets (SDSs) and product labeling. We have established product safety activity rules and thoroughly manage the risk related to product safety from design and development to production and delivery. We regularly hold Quality Management Committee meetings to promote them, and share and improve information on safety and quality issues.

In the Industrial Machinery Business, we conduct design reviews and validity checks for machine safety during the design phase, and confirm compliance with safety and quality standards through shipping inspections. We are also working with customers to customize product specifications using automatic control and safety devices.



Value creation strategy

Natural capital strategy

Initiatives for achieving a decarbonized society

Recognizing the importance of climate-related financial disclosure, in April 2022, the Daiwabo Holdings Co., Ltd. announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and are committed to disclosing the risks and opportunities posed by climate change.



Governance

In April 2020, the group established the ESG Promotion Committee, chaired by the Representative Director, as an advisory body to the Board of Directors to deliberate on environmental, social, and governance issues.

The ESG Promotion Meeting has been established as a subordinate organization of the ESG Promotion Committee for practical discussions about and promotion of activities. Items discussed by the ESG Promotion Committee are reported to the Board of Directors.

Strategy

The group recognizes climate change as a medium- to long-term challenge. Therefore, we make analysis using multiple future scenarios based on the 1.5–2°C and 4°C scenarios, to account for risks and opportunities under a variety of circumstances. In a world of +1.5–2°C, regulations to reduce greenhouse gas emissions will be tightened, and the risk of transition will increase due to the progress of low-carbonization and decarbonization.

On the other hand, in a world of +4°C, physical risks, such as abnormal weather, are expected to increase, although the impact of transition risks, such as regulations, are small.

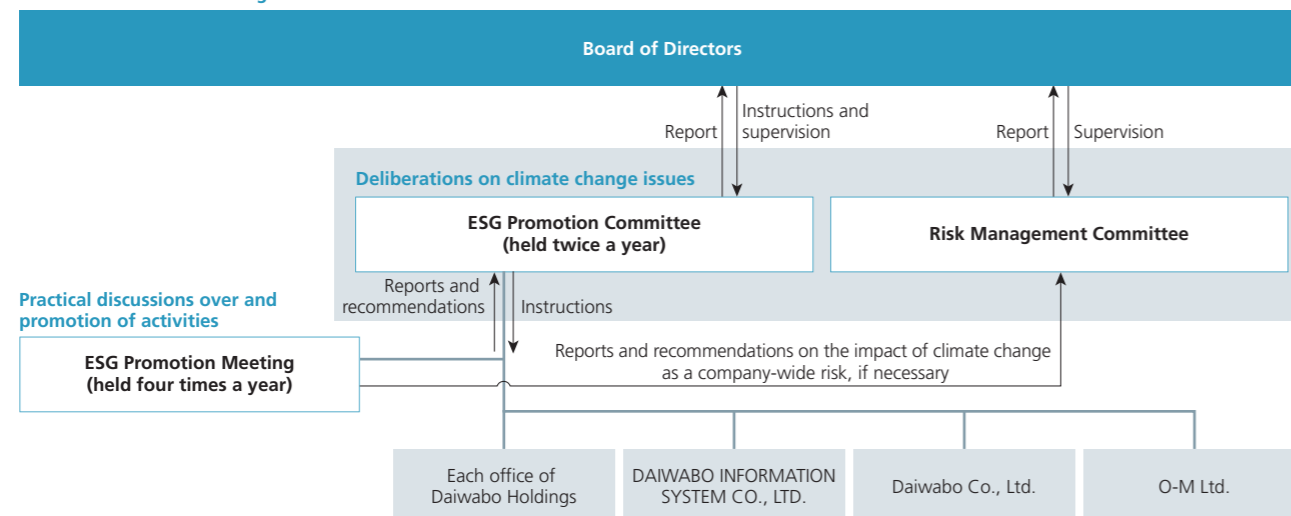
The scenario for FY2030 is based on “RCP-2.6” and “RCP-8.5” from the IPCC, and “NZE2050, SDS” and “STEPS” from World Energy Outlook.

Assumptions for scenario analysis

Scenario	1.5°C–2°C scenario Anticipated scenario: Increase of migration risk • Increase of risk due to policy and market changes • A rise of 0.9–2.3°C by 2100 (relative to the time of the Industrial Revolution) if strict measures are taken
	4°C scenario Possible scenarios: Increase of physical risk • Extensive damage caused by abnormal weather • 3.2–5.4°C rise by 2100 unless measures beyond current levels are taken (relative to the time of the Industrial Revolution)
Target business	IT Infrastructure Distribution Business, Fiber Business (Japan), Industrial Machinery Business (Japan)
Target year	Impact as of FY2030

Climate change risk management system

Resolution on climate change issues



Transition risk (assumed to be most evident in the 1.5–2°C scenario)

Key risks	Significantly high-impact item			Key expected initiatives
	IT	Fiber	Industrial Machinery	
Risk of policies and laws and regulations Increased costs of regulatory compliance, such as carbon prices		●	●	Transition to low-carbon energy Thorough efficiency improvement and transition to low-carbon energy to achieve FY2030 CO ₂ emission targets
Technical risk Increased investment and R&D costs for environmentally conscious technologies		●	●	Collaboration with research institutions, utilization of development tools, and collaboration with external research institutions Development and early commercialization of energy-saving, hydraulic-free, and automated products
Market risk Rising commodity prices due to tightening of supply-demand relations for renewable energy Rising raw material costs for products with low environmental impact	●		●	Securing inventory by having large warehouses and proposing alternative products utilizing multi-vendor functions Review sales strategies as appropriate, including passing of higher costs on to product prices
Reputational risk Loss of corporate brand due to delayed response	●	●	●	Timely disclosure of information via websites, etc.

Physical risk (assumed to be most evident in the 4°C scenario)

Key risks	Significantly high-impact item			Key expected initiatives
	IT	Fiber	Industrial Machinery	
Acute risk Stagnation of operations at business sites due to disasters Stagnation of supply chain operations due to the regions affected by disaster Spread of infectious disease	●		●	Continuation of business through teleworking and correspondence to different locations through multi-base network, strengthening of BCP measures Strengthening of BCP measures at production sites against wind, flood, and other disasters Leveraging the strengths of multi-vendors to secure multiple purchasing routes, and securing inventory thanks to having large warehouses Strengthening of BCP measures between production and distribution bases (in Japan and overseas)
Chronic risk Deterioration of the working environment due to rising temperatures Unstable upstream supply chain Increased air conditioning costs due to rising temperatures	●	●	●	Timely use of teleworking Development of a comfortable work environment at logistics centers Implementation of measures against heatstroke at logistics centers and plants Leveraging the strengths of multi-vendors to secure multiple purchasing routes, and securing inventory thanks to having large warehouses Consideration of investment in automation of logistics centers and utilization of robots under adverse conditions

Opportunity

Opportunity	Significantly high-impact item			Key expected initiatives
	IT	Fiber	Industrial Machinery	
Resource efficiency Reduction of energy costs by improving production and transportation efficiency	●			More efficiency in transportation and delivery by extending current conditions and utilizing nearest, bulk, and charter shipments Further promotion of energy conservation and shift to renewable energy Reducing operation costs by introducing energy-saving equipment
Products and services Growth of earnings by providing products and services that contribute to climate change mitigation and adaptation Increase in demand for materials, parts, and solutions required for environmentally conscious equipment (renewable energy, batteries, fuel cells, etc.)	●	●	●	Drawing up purchase plans in anticipation of future demand Expanding sales opportunities of environmentally conscious products, such as biodegradable materials, and of disaster-prevention/reduction products Development of energy-saving, hydraulic-free, and automated products Deployment of products that meet the potential for increased demand for products with low environmental impact Expanding sales opportunities to industries that produce environmentally conscious equipment such as for wind power generation, gas turbines, and nuclear power generation
Market Better corporate image by promoting disclosure of climate-related information	●	●	●	Timely information disclosure based on the TCFD recommendations

IT DAIWABO INFORMATION SYSTEM CO., LTD. Fiber Daiwabo Co., Ltd. Industrial Machinery O-M Ltd.

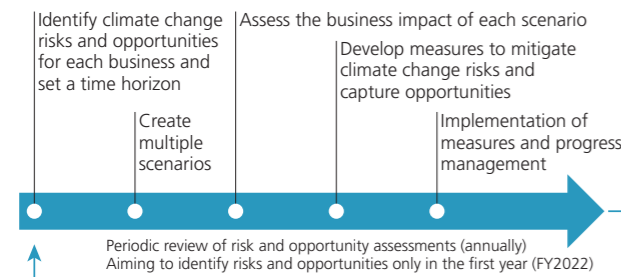
Value creation strategy

Risk management

Mechanism for assessing the risks and opportunities of climate change

The ESG Promotion Meeting which promotes issues related to climate change, assesses risks and opportunities related to the impact of climate change, in cooperation with Daiwabo Holdings and group companies, and monitors the status. Risk assessment is conducted at least once a year and as necessary, and the ESG Promotion Meeting reports and makes recommendations to the ESG Promotion Committee.

The ESG Promotion Committee deliberates on identified risk assessment, relevant proposed countermeasures, and related indicators and targets at least once a year, followed by reports to the Board of Directors. The Board of Directors resolves matters reported by the ESG Promotion Committee, and gives relevant instructions and supervision.



Indicators and targets

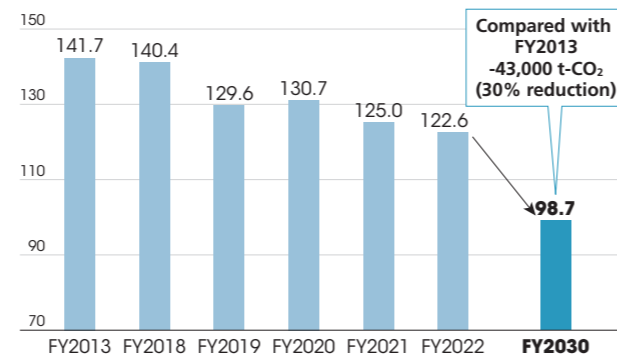
Initiatives for FY2022

The group's main CO₂ emission factors are Scope 1 direct emissions from fuel combustion in factories and other manufacturing processes, and Scope 2 indirect emissions from the use of electricity supplied by other companies. The group CO₂ emissions in FY2022 were 122.6 thousand t-CO₂ in total for Scope 1 and 2. In order to improve the energy composition to reduce CO₂ emissions, we first reviewed our electric power companies with a view to switching to energy with lower emission coefficients and switching to renewable energy in the future, and reduced CO₂ emissions by approximately 2,400 t-CO₂ compared to the previous fiscal year.

Progress toward targets

We have made progress toward our target of reducing total Scope 1 and 2 emissions by 70% (30% reduction) compared to FY2013, reaching 87% (13% reduction).

CO₂ Scope 1 and 2 emissions (1,000 t-CO₂)



Scope: Daiwabo Information System (consolidated), Daiwabo (in Japan, consolidated), O-M (in Japan, consolidated), Daiwabo Holdings (non-consolidated)

Supply chain emissions (1,000 t-CO₂)

Scope and category	Major emission sources	FY2022
Scope 1	Direct emissions from owned or controlled sources (fuel combustion, etc.)	91
Scope 2	Indirect emissions from the use of electricity supplied by other companies	32
Scope 3 Upstream	Category 1 Purchased products and services ¹	249
	Category 2 Capital goods	7
	Category 3 Combustion and energy (other than Scope 1 and 2)	5
	Category 4 Transportation and delivery (upstream)	21
	Category 5 Waste from businesses	5
	Category 6 Business trips	1
	Category 7 Employee commuting	1
	Category 8 Leased assets (upstream)	Not applicable ²
Total		412

Scope: Daiwabo Information System (consolidated), Daiwabo (in Japan, consolidated), O-M (in Japan, consolidated), Daiwabo Holdings (non-consolidated)

¹ Daiwabo and O-M only (Daiwabo Information System is excluded because it is still under calculation)

² Energy consumption from the use of assets rented under lease contracts is included in Scope 1 and Scope 2, and is therefore not applicable

Promotion of global environmental protection

Daiwabo Group Environmental Policy

The Daiwabo Group has established the Daiwabo Group Environmental Policy and is committed to global environmental protection.

The Policy is available on our website.

Please refer to the website for more details.



Contribution to the circular economy

Against the backdrop of global population growth and economic growth, we recognize that increasing waste is a global challenge and that it is necessary to move away from mass waste and towards a circular economy. In the IT Infrastructure Distribution Business, we aim to contribute to the circular economy through the spread of cloud services. In the Fiber Business, we are leveraging our unique processing technology and focusing on developing products using plant-derived rayon fibers, as well as biomass and recycled materials. In the Industrial Machinery Business, we are working on prolonging the lifespan of delivered products through maintenance, recycling scrap materials, utilizing recycled plastics, and reducing waste across all businesses.

Main topics in FY2022

For the IT Infrastructure Distribution Business, we are focusing on expanding sales of cloud services that utilize iKAZUCHI, a subscription management portal, and iKAZUCHI transaction volume increased 39.4% from the previous fiscal year. iKAZUCHI contributes to operational efficiency by reducing CO₂ emissions and management man-hours in the supply chain. In addition to existing channels, we are also working with SaaS vendors globally to support the DX of various users in Japan.

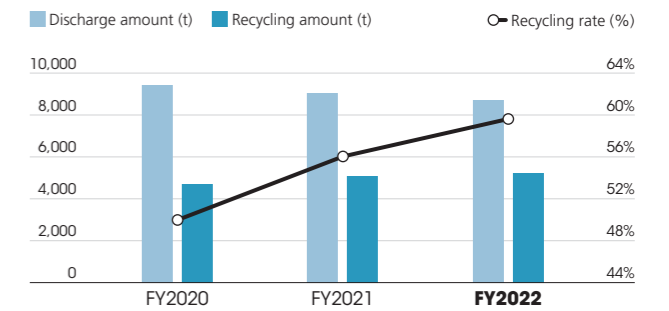
In the Fiber Business, we are developing products that take the circular economy into consideration, such as Recovis®, a cellulose fiber made from recycled clothing, and TWINLET®, a double-layered yarn with a core made of recycled PET and a sheath made of cotton from the US. Furthermore, we are also working on developing products made from biomass and renewable resources and raw materials.

In the Industrial Machinery Business, we are working on developing products that lead to a reduction in power consumption, while also having the scraps (chips) generated during processing picked up by contractors for reuse.

The discharge amount of industrial waste also decreased and the recycling rate increased due to efforts to recycle and reuse scrap materials (for details, please refer to "Industrial Waste" in the ESG Data).



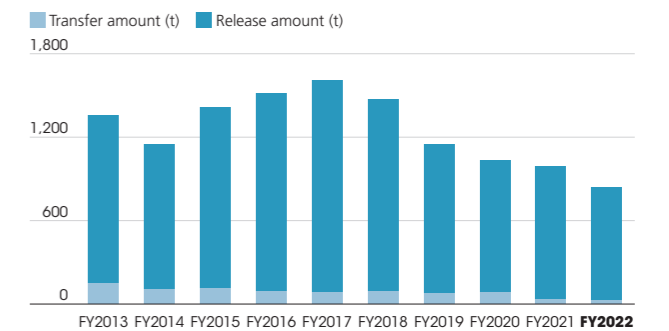
Trend in industrial waste discharge and recycling quantity and rates



Chemical substance management

In accordance with the Pollutant Release and Transfer Register (PRTR), a chemical substance regulation, we manage the release and transfer of chemical substances we manufacture or use and report them to the government. The target chemical substances are mainly used as plasticizers or solvents, and are strictly managed. We are also working on reducing their emission and transfer amounts by switching to non-target substances and promoting recycling.

Release and transfer of substances subject to the PRTR system



Water risk management

We recognize that water resources are not only important resources necessary for the survival of living organisms but also have the potential to affect business activities in various ways, such as water disasters, droughts, water pollution, and restrictions on available water resources. Regarding water risks related to manufacturing, according to the 2019 Aqueduct Global Water Risk Map published by the World Resources Institute (WRI), the manufacturing sites of the Fiber Business are all in low-risk regions. We are continuously implementing water-saving activities such as the circulation and reuse of water used in the production process. In the Industrial Machinery Business, the use of water in production is minimal and mainly relies on water for daily use.

Strategies by business segment

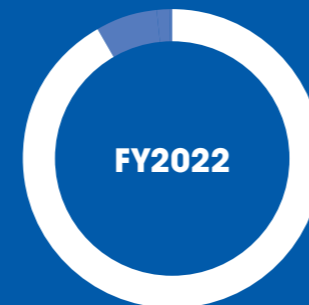
IT Infrastructure Distribution Business

Business description

As an independent multivendor, we sell various combinations of IT-related products and services purchased from roughly 1,400 manufacturers and vendors in Japan and overseas. We are one of Japan's leading distributors, and provide a wide range of products and services to end users through our approximately 19,000 dealers across the country, including information equipment sales companies, IT trading companies, system integrators, mass retailers, and e-commerce operators. Our strength lies in our community-based sales system, which is possible only because we have a network of sales offices and distribution centers that cover every corner of Japan.

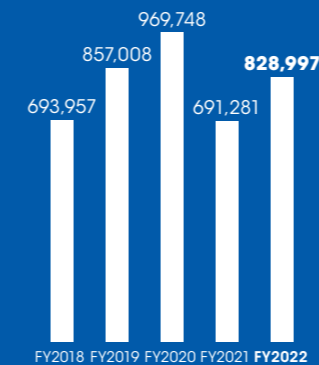
Net sales ratio

91.7%



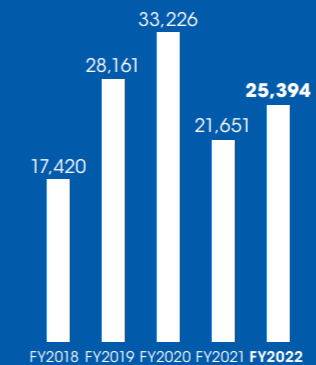
Net sales (millions of yen)

828,997



Operating profit (millions of yen)

25,394



Market environment and social issues

With digital transformation (DX) at the forefront, there is a growing trend to use IT to solve social issues and create new value for society.

There are a wide range of areas in which IT can contribute to solutions, such as addressing the shortage of human resources common to many industries, improving productivity and standardizing business operations in companies, digitalizing education, and addressing environmental issues. We recognize this as a great opportunity for DIS, which has a wide range of products and a broad sales network, and will continue to help the development of an information society all over Japan through our business.

Business strategy

We will achieve long-term growth as a company that continues to support all IT businesses

Existing area expansion

We will continue to expand our product lineup and improve service quality in order to meet the needs of customers nationwide and further enhance our position in the market. Our goal is to acquire the No. 1 share in the domestic Japanese market for each category of IT device distribution.

Market creation

We will implement and strengthen high-level support capabilities and actively incorporate new technologies and solutions. We will contribute to our customers' use of IT and market creation, and expand our own business.

Social contribution

We are committed to sustainable management, and are contributing to the protection of the environment, consideration of local communities, promotion of innovation, and construction of sustainable supply chains.

Work transformation

As an IT distributor, we promote the DX of business processes and work style reforms, aiming to improve productivity both within our company and throughout our supply chain.

To implement these strategies, we believe it is necessary to further improve our skills and consulting capabilities in offering high-value-added IT-related products, and to build closer partnerships with our customers. This is because providing cutting-edge technology in a simple form that is easy to use for customers will expand the possibilities of IT utilization and contribute to local communities. We will achieve the long-term growth of the company by making such a socially significant business rewarding for our employees.

Medium-term business strategy and initiatives

Strategy

Initiatives for FY2022

Existing area expansion

Acquisition of share in each category in IT device distribution

- Involvement in the introduction of at least one out of every three PCs in the corporate market
- Coverage of IT adoption in various industries through efficient proposal activities utilizing information infrastructure such as sales force automation (SFA) and customer relationship management (CRM)
- Development of training for teachers such as lesson design utilizing ICT in elementary, junior high, and high schools, and continued work on the GIGA School Program

Market creation

- Implementation and strengthening of high-level support functions
- Branding as a cloud distributor

- Development of DX Academy Service to support corporate DX
- Support for the development of IT personnel of dealers as a starter, in order to take leadership of DX
- Provision of a total IT service that covers everything from the introduction of advanced technologies to operation and management, as well as the contribution to the effective utilization of IT human resources by realizing labor saving for dealers and end users
- Strengthened cooperation with each group company in order to respond to the diversification of customer needs
- Development of original services to support next-generation proposals

Social contribution

Initiatives for sustainable management

- Holding the real-life event, DIS World in Echigo Niigata with Digital Days, to introduce IT products and solutions that fit the local community and to contribute to the revitalization of the community through IT technology
- Sponsorship agreement with Maiko Wakabayashi, a professional golfer who is balancing childrearing and her career
- Special co-sponsorship of the Nikkei STEAM 2022 Symposium hosted by the Nikkei Osaka Head Office
- Donations in order to contribute to medical care support
Japan Heart: 150 million yen; Japan Committee for UNICEF: 50 million yen

Work transformation

Productivity improvements in the supply chain as a whole

- Promotion of the transformation of sales activities and the improvement of operational efficiency such as order-taking operations using business intelligence (BI) and robotic process automation (RPA)
- Continued investment in information systems using SFA and CRM
- Continued promotion of low-cost operations using e-commerce and other means
- Cost controls by improving logistics efficiency and inventory location optimization

Strategies by business segment

Future initiatives

Contribution to regional economic development through community-based business activities

We will continue business activities rooted in local communities throughout Japan. We will also contribute to the development of regional economies by supporting our customers' IT solutions in cooperation with our partners throughout Japan, including DIS World, a comprehensive Information and Communication Technology (ICT) event. In addition, by aggregating information on each region and sublimating it into nationwide know-how based on common needs and issues, we will continue to support further problem-solving in local communities.

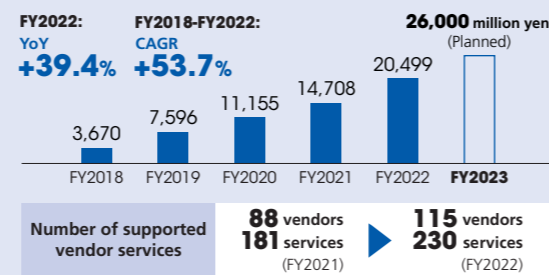
DIS World
Please see the website for more details.
(In Japanese only)



Contribution to DX by promoting the spread of cloud services

We will promote the spread of cloud services in order to contribute to the establishment of the infrastructure for DX. As part of this effort, we will expand the list of services and functions offered on the iKAZUCHI subscription management portal. By providing a system that enables effective and easy use of cloud services, we can improve the efficiency of the entire supply chain including our customers, and contribute to suppressing costs, resolving the shortage of human resources, and the co-creation of businesses as well. At the same time, we will continue to work with our dealers to promote the domestic Japanese distribution of the world's latest technologies that can meet diverse user needs.

Total sales amount to dealers through iKAZUCHI



Contribution to DX by providing original services

Total IT service

We will expand our offering of original services by collaborating with advanced technology vendors, including emerging companies. By providing an environment in which all customers can easily utilize cutting-edge technologies and by reducing administrative man-hours after installation, it will be possible to eliminate the shortage of IT personnel and secure resources for promoting DX.

DX Academy Service

We provide an educational platform that aims to realize and establish DX. In addition to training regimens for understanding the basic concepts and ideas of DX, we prepare courses that allow employees to systematically develop and practice the knowledge and skills necessary for promoting DX. We will build an effective platform by continuously improving and developing training courses. Through these activities, we will foster a strong will and desire to transform the business of our customers, which are important in DX.

Initiatives for the education market

Creation of environment for the next generation of the GIGA School Program (devices and networks)

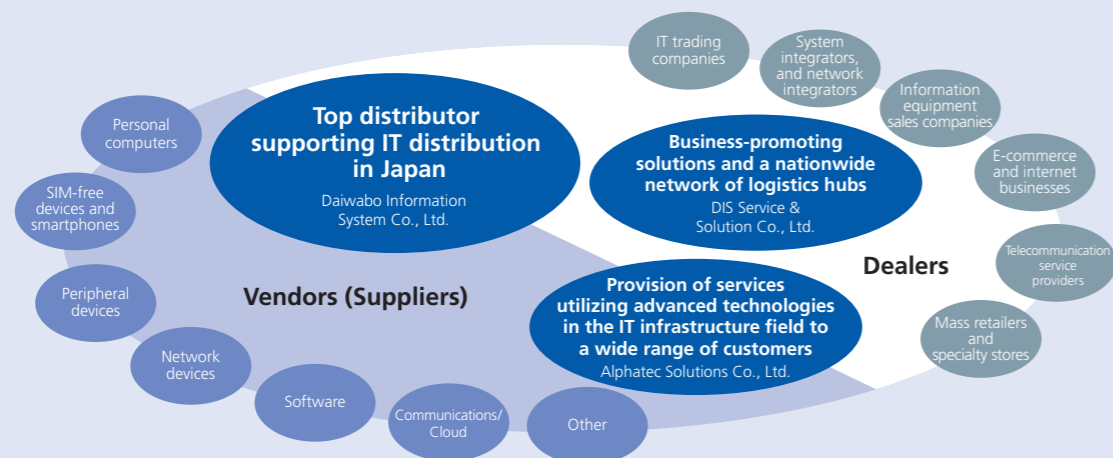
We will continue to contribute to ICT education, which is essential for the realization of a sustainable digital society. We will continue to provide a stable supply of IT devices that help improve the learning environment, and propose IT solutions that bring about new learning trends such as STEAM education.

STEAM Lab initiatives

As a result of creating an environment where each student in school computer labs has access to their own device under the GIGA School Program, changes can be seen from the traditional role these labs played. STEAM Lab is a place to learn real things and experience the use of advanced technology, and proposes a new role for computer labs as learning spaces to nurture creativity. In addition, we will work to create more so that they can serve as places for collaboration with the local community not only within the framework of learning activities.

Increased added value of the distribution business

We will continue to be the distributor behind every IT business. To do so, we will constantly evolve our business by combining the strengths of our company and a wide variety of dealers. We will also work to build new business models.



Underlying strengths

Friendly and trustworthy distributor

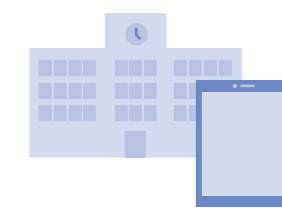


Expansion of nationwide sales network to **94 bases**



Caters to **all users** regardless of area or end-user industry

Area coverage in education field



Procurement involvement rate for boards of education

98%

Percentage of boards of education that were involved in FY2018 through FY2022 even at a small amount
Target: 1,788 boards of education (all prefectures and municipalities in Japan)

A specialized team for the education market and sales offices across Japan have established a cooperative system with dealers to achieve high standards

Strategies by business segment

Fiber Business

Business description

The Daiwabo Group focuses on research and development in the field of fibers and textiles, which holds a variety of possibilities, such as wide-ranging applications as raw materials and in aiding the needs of a recycling-oriented economy. We are creating high value-added products that make use of sustainable materials as well as functional and unique materials. In addition to clothing products, we handle a wide range of other products, from everyday materials, such as materials for diapers, to industrial materials such as waterproof sheets for construction sites. These diverse offerings include raw cotton, nonwoven fabrics and finished products.

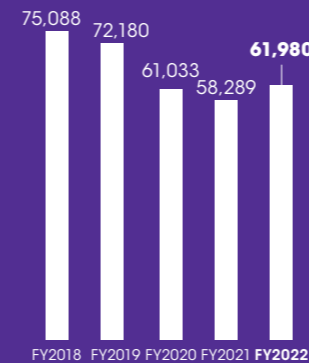
Net sales ratio

6.9%



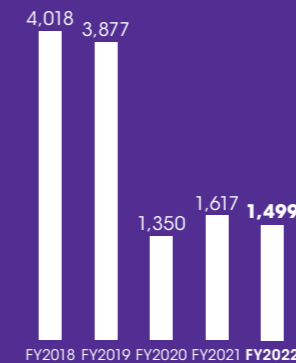
Net sales (millions of yen)

61,980



Operating profit (millions of yen)

1,499



Market environment and social issues

Although there are negative factors such as soaring raw material and energy prices and stagnant consumer appetite due to high commodity prices, the market environment is expected to see a recovery in demand for cosmetics and an increase in domestic demand for building materials.

There is also a growing need for sustainable products. We are working to solve a wide range of social issues, such as providing environmentally-friendly products, contributing to the realization of a safe and secure society, and developing products for functional and sustainable materials with an awareness of the SDGs.

Business strategy

We will accelerate the development of environmentally-friendly products and the promotion of in-house ESG activities

Promotion of ESG activities

In terms of the environment (E), we are accelerating the renewal of energy-saving equipment with the aim of achieving net zero GHG emissions by 2050. In terms of social (S), in order to respond to the ever-changing market environment, we are expanding our human capital by focusing on employee education and the

development of a comfortable working environment. From the perspective of governance (G), we are promoting the maintenance and reinforcement of audit and check systems to strengthen internal control systems and ensure thorough compliance management.

Enhancement of unique material development

Based on the experience and technologies we have cultivated, we have established a cross-group business research system. In addition, we are expanding our business by developing new materials, including functional and sustainable materials, through collaboration with companies in different business categories and joint research with universities and research institutions. For example, we are developing biomass-derived materials such as biodegradable biomass. These materials are expected not only to contribute to the realization of a sustainable society, but also to contribute to our sustainable growth as a company through their high functionality and added value.

Improvement of capital efficiency

In addition to promoting high added value by utilizing functional and sustainable materials in synthetic fiber and other materials, we are also consolidating factories to further improve the efficiency of invested funds.

Medium-term business strategy and initiatives

Strategy	Initiatives for FY2022
Transform into a company that is satisfying to work for based on ESG	<ul style="list-style-type: none"> Company-wide systematization and thorough compliance management emphasizing on-site circumstances Increase in work efficiency through improvement of working environment, personnel training, and IT utilization
Enhancement of unique material development Development of the unique materials based on the deep plowing of fiber strategy	<ul style="list-style-type: none"> Establishment of a cross-business research system for the Daiwabo Group Development of environmentally-friendly products (biodegradable, biomass, recycled, etc.) based on core technologies
Improvement of capital efficiency Business activities conscious of invested fund efficiency	<ul style="list-style-type: none"> Sales of synthetic fiber, nonwoven fabric, and rayon utilizing research results for functional and sustainable materials Establishment of an integrated cartridge filter production system by consolidating industrial material factories

Future initiatives

Initiatives to reduce CO₂ emissions by 2030

In addition to achieving net zero GHG emissions by 2050, we aim to reduce domestic CO₂ emissions by 30% (Scope 1 and 2) compared to FY2013 levels by 2030 as a milestone. We will contribute to the prevention of global warming by promoting energy efficiency through the renewal of energy-saving equipment and the use of renewable energy.



Topics

Initiatives for ongoing organizational reforms

We are undertaking ongoing organizational reforms to strengthen governance and improve capital efficiency. The research and development structure for each field has been integrated into the Harima R&D Center to strengthen R&D capabilities. We are advancing material development based on the three development keywords of environment, safety, and health. In addition, we consolidated production bases, such as building an integrated production system for the filter business.

Strategies by business segment

Industrial Machinery Business

Business description

We provide vertical lathes that can be used as “mother machines” for all industries, including the aerospace and energy industries. We also manufacture and sell machine tools such as wheel lathes that support railway safety and ride comfort, and automatic packaging machines that are used in the food and pharmaceutical industries. We support safe and comfortable lives behind the scenes.

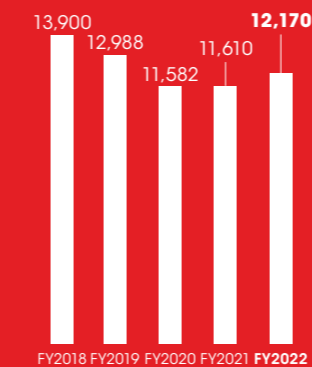
Net sales ratio

1.3%



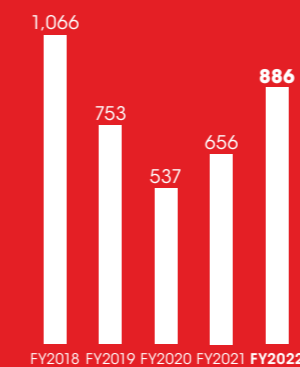
Net sales (millions of yen)

12,170



Operating profit (millions of yen)

886



Market environment and social issues

Japan's industry faces various challenges, such as labor shortages due to the declining birthrate and aging population, and a decrease in skilled workers. In addition, awareness of global environmental issues such as climate change and resource depletion is increasing. In light of this situation, we are working to develop products in the Industrial Machinery Business that contribute to automating production processes, saving labor, and reducing environmental impact.

Business strategy

We will respond swiftly to changes in society with the aim of continuously improving our corporate value

In the Industrial Machinery Business, based on the provision of production facilities and technical services, we aim to swiftly respond to social changes and continuously increase corporate value. To this end, we have adopted a long-term basic strategy of transforming our business portfolio, contributing to solving environmental and social issues, and promoting collaboration with external companies and research institutes. Over the medium term, we will focus on the following three areas.

Expansion of machine tool business

In the area of machine tools, we are accelerating proposals to the energy, construction machinery,

semiconductor, and other industries. In addition, to meet the growing needs for cost reduction, productivity improvement, and energy saving, we are promoting the development of products that reduce CO₂ emissions and improve work efficiency.

Expansion of automatic packaging machine business

In the area of automatic packaging machines, we will accelerate proposals that meet the demands of each industry, while also pursuing the reduction of environmental impact as with machine tools. In particular, we will focus on developing and expanding sales of paper packaging machines as society moves toward the elimination of plastics.

Service enhancement

We are focusing on human resource development in order to strengthen our competitive technological capabilities and services, and aim to ensure that each and every employee has high technical capabilities. In addition, we are working to enhance after-sales services to customers by upgrading and expanding our service system.

We are also engaged in a variety of activities aimed at long-term value creation, such as the use of AI and IoT to improve the quality and function of products and services, and the promotion of education to strengthen the technological capabilities of each employee, which is the source of our competitiveness.

Medium-term business strategy and initiatives

Strategy

Initiatives for FY2022

Expansion of machine tool business
Strengthening approach to potential markets

- Make offers to a wide range of industries, including energy, construction machinery, and semiconductors (orders received up 26.4% year-on-year)

Expansion of automatic packaging machine business
Capturing demand for automation of packaging machines in various industries

- Strengthen proposals and services to meet industry-specific demands
- Promote the use of paper packaging in response to the social trend toward a plastic-free society

Service enhancement
Improving profitability by upgrading and expanding service system

- Strengthen systems through in-house education

Future initiatives

Expansion of business opportunities in all areas of power generation

Aiming for the growth of the wind power generation market, we are further improving the efficiency of parts processing technology in our machines, and pushing forward with proposal-based sales approaches that promote the benefits of cutting process improvements at customers' sites. Furthermore, we will utilize our parts processing know-how in order to respond to the growing demand for high-efficiency gas turbines amid the need for reductions in CO₂ emissions in all aspects of power generation.



Topics

Chip detection system using AI technology

To solve the problem of chip adhesion in vertical lathes, we developed an automatic chip detection system using image sensors and AI technology. This allows processing to be automatically stopped in the event of an abnormality. For the issue of detection accuracy, we used AI deep learning methods in collaboration with a research laboratory at the Kanazawa Institute of Technology.

